

Message Text

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TO AMEMBASSY LA PAZ

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SUBJECT: SUGAR SUBSTITUTES AND U.S. REFINED SUGAR MARKET

REF: (A) LA PAZ 2069 (NOTAL); (B) STATE 256602, 11/21/74

1. NUMEROUS SUGAR SUBSTITUTES ARE AVAILABLE ON THE U.S. MARKET, EACH WITH ITS OWN PRICE. DURING FEBRUARY 1975 THE AVERAGE PRICE FOR CORN SYRUP WAS 14.32 CENTS PER POUND ON A WET BASIS OR 17.83 CENTS PER POUND ON A DRY BASIS. AT THE SAME TIME THE PRICE FOR REFINED SUGAR WAS 48.96 CENTS PER POUND IN THE NORTHEASTERN WHOLESALE MARKET. THEREFORE, THE CORN SYRUP PRICE WAS 29 PERCENT AND 36 PERCENT OF THE REFINED SUGAR PRICE RESPECTIVELY. CURRENT REFINED PRICE IS ABOUT 37.5 CENTS PER POUND FOR SUGAR. AMONG THE MANY SUGAR SUBSTITUTES BEING DEVELOPED, HIGH FRUCTOSE CORN SYRUP

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APPEARS TO HOLD THE GREATEST PROMISE AND THE SPOTLIGHT OF

INDUSTRY ATTENTION. THE CURRENT PRICE IS ABOUT 27 CENTS PER POUND ON A SUGAR EQUIVALENT BASIS. WHEN REFINED SUGAR WAS SELLING FOR ABOUT 45 CENTS PER POUND HIGH FRUCTOSE CORN SYRUP SOLD FOR ABOUT 31.5 CENTS PER POUND. HIGH FRUCTOSE CORN SYRUP GENERALLY SELLS AT FROM 83 TO 85 PERCENT OF THE REFINED SUGAR PRICE. BY THE MIDDLE OF 1976 SOME INDUSTRY SOURCES PREDICT A U.S. HIGH FRUCTOSE PRODUCTION OF 1.1 MILLION TONS SUGAR EQUIVALENT.

2. AS DESCRIBED IN REFTTEL B, THERE IS CURRENTLY NO DISTINCTION BETWEEN RAW AND REFINED SUGAR IMPORTS UNDER OUR CURRENT GLOBAL IMPORT QUOTA OF SEVEN MILLION SHORT TONS. BOLIVIA OR ANY OTHER SUPPLIER CAN SUPPLY ANY PORTION OF ITS SHIPMENTS IN EITHER FORM AS LONG AS IT CAN FIND A MARKET IN THE U.S. OUR SUGAR IMPORTS FOR 1974 TOTALED 5,787,145 SHORT TONS.

3. INTERNAL U.S. DISTRIBUTION OF REFINED SUGAR (MOVEMENT FROM REFINERS OF RAW IMPORTED SUGAR, DOMESTIC BEET SUGAR AND IMPORTED REFINED SUGAR) DURING JANUARY 1975 WAS 46.7 PERCENT LOWER THAN DURING JANUARY 1974. PRELIMINARY DATA FOR THE PERIOD JANUARY 1 THROUGH MARCH 15, 1975 SHOW AN APPROXIMATELY 39 PERCENT DECLINE IN REFINED SUGAR DELIVERIES AS COMPARED TO 1974 (ABOUT ONE MILLION TONS LESS THAN IN 1974). THIS DECLINE IS GENERALLY ATTRIBUTED TO THE WORKING OFF OF LARGE STOCKS WHICH WERE PURCHASED AT HIGH PRICES AND CONSUMER RESISTENCE TO HIGH PRICED SWEET PRODUCTS. DECREASED PURCHASING POWER RESULTING FROM THE CURRENT U.S. ECONOMIC SITUATION ALSO PLAYS A SIGNIFICANT ROLE. KISSINGER

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